

MINUTES OF MEETING

STATE OF WISCONSIN GROUP INSURANCE BOARD Tuesday, November 19, 2002

**Radisson Inn - Madison
517 Grand Canyon Drive
Madison, WI 53719**

BOARD PRESENT:

Stephen Frankel, Chair
Randy Blumer, Vice-Chair
Robert Alesch
Martin Beil
Dan Caucutt (*representing Kathleen Moore*)
Gale Dushack
Peter Fox
Esther Olson
Karen Timberlake

BOARD ABSENT:

Kathleen Moore

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Dave Mills, Deputy Secretary
Tom Korpady, Administrator, Division of Insurance Services
Dave Hinrichs, Executive Assistant
Dawn Duren, Group Insurance Board Liaison
Bill Kox, Director, Health Benefits & Insurance Plans Bureau
Vicki Poole, Director of Legislation and Planning
Sonya Sidky, Health Benefit & Insurance Plans Bureau
Kari Zika, Manager, Quality Assurance

OTHERS PRESENT:

Steve Bablitch, Blue Cross Blue Shield United of Wisconsin
Susan Baez, Dean Health Plan
Karen Baumhardt, Blue Cross Blue Shield United of Wisconsin
Marcia Blumer, Division of Insurance Services
Paul Brazeau, Wisconsin Physician's Service
Susan Chamberlain, University of Wisconsin Systems Admin.
Liz Doss-Anderson, Department of Employee Trust Funds
Rhonda Dunn, Department of Employee Trust Funds
Colleen Evans-Carter, CompcareBlue
Brian Eck, Gundersen Lutheran Health Plan
David Fee, Humana Health Plan
Brian Fusie, Department of Employment Relations
Carrie Garn, Health Choice
Charlotte Gibson, Department of Justice
Steve Grob, Division of Insurance Services
Lisa Halbach, Blue Cross Blue Shield United of Wisconsin
Emily Halter, Blue Cross Blue Shield United of Wisconsin
Jane Hamblen, Department of Justice
Michael Heifetz, Dean Health Systems
Michelle Hough, Medco Health Solutions, Delta Dental, HIAA
Kathy Ikeman, Unity Health Insurance
Joe Kachelski, Wisconsin Association of Health Plans
Erin Kelly, Network Health Plan

Jana Knapp, Blue Cross Blue Shield United of Wisconsin
Jon Kranz, Department of Administration
Arlene Larson, Department of Employee Trust Funds
Laura Leitch, Wisconsin Hospital Administration
Marilyn Lewis, Department of Transportation
Steve Maike, Innovative Resource Group
Eileen Mallow, Commissioner of Insurance Office
Amanda Meier, The Alliance
Tom Millmann, Blue Cross Blue Shield United of Wisconsin
Cliff Morris, Health Choice
Jim Motz, Innovative Resource Group
Peg Narloch, Division of Insurance Services
Paul Ostrowski, Department of Employment Relations
Robert Parr, Delta Dental Plan of Wisconsin
Robert Pearson, Health Choice
Mary Pierick, Department of Employee Trust Funds
Beth Ritchie, University of Wisconsin Systems Administration
Jim Searcy, Deloitte & Touche LLP
Chris Schmelzer, Minnesota Life Insurance Company
Ken School, Blue Cross Blue Shield United of Wisconsin
Ron Sebranek, Physician's Plus
Mel Sensenbrenner, State Engineers Association
Penny Siewert, Blue Cross Blue Shield United of Wisconsin
Joan Steele, Department of Employee Trust Funds
Steve Urso, Wisconsin Professional Police Association
Durell Vieau, Department of Employment Relations
John Vincent, Department of Employment Relations
Al Wearing, Blue Cross Blue Shield United of Wisconsin
Ann Wunrow, Department of Transportation
Laurie Young, Blue Cross Blue Shield United of Wisconsin

Mr. Frankel, Chair, called the meeting to order at 9:07 a.m. He announced that Chuck McDowell had resigned from the Board and that Kathleen Moore has been designated by the Secretary of the Department of Administration to be his replacement. With Chuck's resignation, there is a need to elect a new secretary. This will be voted on at the next Group Insurance Board meeting in February, when all officers for the next year must be elected. The minutes will be signed at that time.

Consideration of Minutes of August 27, 2002, meeting

Mr. Korpady announced that there has been a change to the August 27 open minutes. On Page 3 under *Announcement of Action Taken on Business Deliberated During Closed Session*, the first bullet point states "Local Standard Plan rates will increase 8%, and Medicare +100,000 will increase 9%." It should read "Local Standard Plan rates will increase 8%, and Medicare **Carveout** will increase 9%."

MOTION: Mr. Fox moved approval of the minutes of the August 27, 2002, meeting as submitted by the Board Liaison. Mr. Dushack seconded the motion, which passed without objection on a voice vote.

Meeting Dates for 2003

Mr. Korpady announced the proposed dates for the 2003 Group Insurance Board meetings:

Tuesday, February 18
Tuesday, April 8
Tuesday, June 3
Tuesday, August 26
Tuesday, November 18

The Board approved the meeting dates for 2003.

Blue Cross Blue Shield United of Wisconsin (BCBSUW) Presentation

Mr. Korpady introduced Steve Bablitch, President and Chief Operating Officer, Cobalt Corporation. Mr. Bablitch brought with him his team to present the Utilization Report from BCBSUW.

Mr. Bablitch announced that Tom Hefty, Chief Executive Officer and Chairman for BCBSUW for nearly 16 years, has announced his retirement, and the Board has chosen Mr. Bablitch as his successor. Mr. Hefty will officially be stepping down on December 1, 2002, at which time Mr. Bablitch will become CEO and Chairman.

Mr. Bablitch noted a consistent 4% increase in customer satisfaction over the past several years. He then introduced Lisa Halbach as the Director of Operations in the Fond du Lac office.

Ms. Halbach introduced Emily Halter, Business Consultant, BCBSUW, who presented the 2001 Health Care Utilization Report. The report's focus was on health care costs for State of Wisconsin members in comparison to national trends. The report provided a look at trends that could be identified in 2001 data in order to assess whether or not adverse trends in 2001 continued in 2002. For example, an emerging trend was that the dollars spent for outpatient services exceeded inpatient care during the past two years compared to the previous two years.

Ms. Halter also reported that healthcare costs continue to climb. BCBSUW and CompcareBlue costs for 2003 are rising 17.8% for indemnity programs and 15.5% for the Preferred Provider Option (PPO) for the normative BCBSUW and CompcareBlue groups. Costs for the Standard Plan, Standard Plan II and SMP are rising just over 19%. BCBSUW and national prescription drug costs are both rising near 20%.

National cost trends are showing the same cost increases. Costs for active subscribers in 2003 were rising 16.3% for Indemnity and 14.4% for PPO plans. While the national HMO cost trend for 2003 showed a 14.4% increase, Wisconsin HMO cost trends reflected lower increases at 12.5%.

HEDIS Report

Mr. Korpady introduced Ms. Sidky to report on the Health Plan Employer Data and Information Set (HEDIS) results and some information from the Consumer Assessment of Health Plans Survey (CAHPS). Ms. Sidky reported that participating Wisconsin health plans scored higher on HEDIS than HMOs nationwide. The survey focused on 15 measures across two domains: Effectiveness of Care and Access/ Availability of Care. Wisconsin HMOs met or exceeded national averages in all but one of the scores. The one that did not meet national averages was childhood immunizations for chickenpox.

Ms. Sidky reported that this is our second year participating in the CAHPS Benchmarking Database. In return for participation, we get a report that compares the CAHPS results of each individual HMO that participates in our program with national and regional benchmarks. As with HEDIS data, HMOs have performed very well overall in the area of customer satisfaction as compared to HMOs nationwide.

Study Group Recommendations

Mr. Korpady asked Mr. Searcy, Consulting Actuary for Deloitte & Touche, to join the Board for a discussion of health insurance study group recommendations. Five recommendations were introduced for Board approval: (1) Changing the current premium contribution structure to a tiered approach; (2) Carving out the prescription drug benefit and contracting with a Pharmacy Benefit Manager (PBM) for all drug benefits under the program; (3) Converting the Standard Plan and Standard Plan II plans into one Preferred Provider Plan; (4) Integrating quality and safety standards into program requirements; and (5) Excluding dental benefits from the participating plans and creating a stand-alone dental plan available to all state employees when a reasonable employer contribution becomes available.

Mr. Korpady went through each recommendation in detail, noting that a number of the recommendations will take collective bargaining involvement, input from a number of different agencies and interested parties, and changes in statute.

The study group consisted of Board members Mr. Fox, Mr. Alesch, Mr. Beil, Mr. Caucutt, and Mr. Blumer. Ms. Olson also sat in for a meeting. Staff members Mr. Kox, Ms. Sidky, Ms. Steele, Ms. Larson, Mr. Stanchfield, Mr. Mills, Ms. Poole and Ms. Zika were also involved. Mr. Korpady reported that Mr. Searcy and Mr. Pechacek of Deloitte & Touche also provided important input.

MOTION: Mr. Fox moved to approve the Study Group recommendations in concept and asked ETF to identify the steps necessary for implementation. Ms. Olson seconded the motion, which passed without objection on a voice vote.

Mr. Dushack thanked the Study Group for their effort in putting together the recommendations.

Mr. Frankel requested that the Board start at 8:30 a.m. for the next meeting since there would be a number of important issues to consider.

Administrative Rules – Limited Term Disability Insurance (LTDI) Scope Statement

Mr. Korpady reported that the Department would like approval for a scope statement to begin amending a rule providing fixed annuity dividends under s. 20.25, which was revised effective October 1, 2002, to be paid in increments of 0.1 percent. The proposed rulemaking will revise the pro rata distribution of LTDI dividends to be consistent with the distribution calculations of fixed annuity dividends.

MOTION: Mr. Dushack moved approval of the scope statement. Ms. Timberlake seconded the motion, which passed on a voice vote.

Miscellaneous

➤ Biennial Budget Update

Ms. Poole presented a brief budget report, referring members to the budget summary document highlighting the Department's 2002-2005 biennial budget request which was

included in their Board packet. She drew particular attention to the section on *New Initiatives*, particularly the Department's need to hire a manager of strategic health policy and manager of collaborative purchasing.

Ms. Poole also reported on the Local Government Health Partnership Task Force Recommendations, chaired by Representative Terri McCormick. She emphasized two recommendations that would most affect the work of the Department and the Board: 1) To provide flexibility in eligibility requirements to the Wisconsin Public Employer Group Health Insurance Program (WPEGHIP), 2) To create a council on health care coverage programs in ETF and require the department to prepare a report on offering group health insurance plans at different cost levels to local government employers and employees. These are recommendations at this time and some bill drafts have been created that may move forward in the next legislative session. Ms. Poole will keep the Board updated as these recommendations move forward.

➤ **Local Annuitant Health Plan Rates**

Mr. Korpady reported an increase in the Local Annuitant Health Plan Rates. This is an insured program provided by BCBSUW as required by a Department of Employee Trust Funds (ETF) contract.

➤ **Quality Improvement Plans/Complaint Backlog**

Ms. Zika reported on the Quality Improvement Plan Report, an annual report put together for the Board for their information only. Ms. Zika also provided a chart to show what the improvements in the health insurance backlog have been since October 2001.

➤ **Reinsurance**

Mr. Korpady reported on a memo from Robert Olafson of Minnesota Mutual Life Company advising ETF that one more company had dropped from reinsuring the group life insurance plan. Given the Board's action at the August meeting in which it approved a basis for pooling a large amount of insurance, the plan's finances are still extremely well protected. Consequently, this is just a reporting and no action is necessary.

➤ **Pending Appeal Status Report**

Mr. Korpady reported that the appeal backlog listing was included in the packet. Mr. Stanchfield noted that the backlog continues to drop, indicating that the changes the Department has made to reduce appeals is working.

Optional Dental Plans

Mr. Korpady reported that the University of Wisconsin is requesting approval from the Board to accept Dental Blue's revised premium rate structure. Dental Blue is an employee pay-all option program provided under contract available to the University. A 10% premium increase and benefit reduction for year 2003 is being proposed with an option to extend coverage through Year 2004. The rate increase of 10% is on top of the previously agreed upon 10% increase for 2003, which results in a compounded gross increase of 21% for 2003. The actuary, Jim Seary, has reviewed the recommendation and it does meet the guidelines that the Board has established for these types of plans.

MOTION: Mr. Blumer moved approval of this recommendation. Mr. Dushack seconded it, which passed without objection on a voice vote.

Motion to Convene in Closed Session

Mr. Frankel announced that the Group Insurance Board would convene in closed session pursuant to the exemptions contained in § Wis. Stats. 19.85 (1) (a) for quasi-judicial deliberations. Attorney Hamblen, Attorney Gibson, Mr. Ostrowski, Mr. Vincent, Mr. Fusie and Ms. Duren were invited to remain during the closed session deliberations.

MOTION: Mr. Beil moved to convene in closed session pursuant to the exemptions contained in § Wis. Stats. 19.85 (1) (a) for quasi-judicial deliberations. Mr. Alesch seconded the motion, which passed without objection on the following roll call vote:

Members Voting Aye: Alesch, Beil, Blumer, Caucutt, Dushack, Fox, Frankel, Olson and Timberlake.

Members Voting Nay: None.

The Group Insurance Board convened in closed session at 11:10 a.m. and reconvened in open session at 12:24 p.m.

Announcement of Action Taken on Business Deliberated on During Closed Session

Mr. Frankel announced that the Board took the following action while in closed session:

- **Appeal 99-033.** The Board adopted the Hearing Examiner's proposed decision.
- **Appeal 2002-035.** The Board adopted the Hearing Examiner's proposed decision.
- **Appeal 2000-035.** The Board voted to defer action regarding the calculation of the Duty Disability benefit until after the WR Board has acted.
- **Appeal 2001-027.** The Board rejected the Hearing Examiner's proposed decision and upheld DETF's decision.
- **Appeal 99-079.** The Board adopted the Hearing Examiner's proposed decision and to make the amendments recommended by Counsel.
- **Appeal 2000-081.** The Board approved the claim for payment based on the current written definition of infertility which reflects the Board's past and continuing intent.

Adjournment

MOTION: Mr. Dushack moved adjournment. Mr. Beil seconded the motion, which passed without objection on a voice vote.

The Group Insurance Board adjourned at 12:26 p.m.

Dated Approved: _____

Secretary: _____